

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of

UNITED HOLDING COMPANY, INC.
Springdale, Arkansas
OTS Docket No. H-3490

Order No.: MWR-04-12

Date: July 19, 2004

STIPULATION AND CONSENT TO THE ISSUANCE OF AN
ORDER TO CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, the Office of Thrift Supervision (OTS), based upon information derived from the exercise of its regulatory responsibilities, is of the opinion that grounds exist to initiate an administrative cease and desist proceeding against **UNITED HOLDING COMPANY, INC., Springdale, Arkansas** (Holding Company), OTS Docket No. H-3490, which wholly owns United Bank, Springdale, Arkansas (OTS No. 7756), pursuant to 12 U.S.C. § 1818(b)¹, and

WHEREAS, the Holding Company desires to cooperate with the OTS and to avoid the time and expense of such administrative proceeding and, without admitting or denying that such grounds exist, or the Findings of Fact or opinions and conclusions of the OTS, except as to Jurisdiction, Paragraph 1, below, which is admitted, hereby stipulates and agrees to the following:

1. **Jurisdiction**

- (a) The Holding Company is a "savings and loan holding company" within the meaning of 12 U.S.C. § 1813(w)(3), and 12 U.S.C. § 1467a. Accordingly, it is a "depository institution holding company" as that term is defined in 12 U.S.C. § 1813(w)(1).
- (b) Pursuant to 12 U.S.C. § 1818(b)(9), the "appropriate Federal Banking agency" may initiate cease and desist proceedings against a savings and loan holding company in the same manner and to the same extent as savings associations for regulatory violations and unsafe and unsound acts or practices.

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

- (c) Pursuant to 12 U.S.C. § 1813(q), the Director of the OTS is the "appropriate Federal Banking agency" to maintain an administrative cease and desist proceeding against such savings and loan holding companies. Therefore, the Holding Company is subject to the jurisdiction of the OTS to initiate and maintain a cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b). The Deputy Director of the OTS, pursuant to delegated authority from the Director of OTS, has delegated to the OTS Midwest Regional Director or his/her designee (Regional Director) the authority to issue cease and desist orders where the Holding Company has consented to the issuance of the orders.

2. **OTS Findings of Fact**

The OTS finds that the Holding Company has engaged in unsafe and unsound practices and in violation of 12 C.F.R. §§ 563.41, 563.200, 563.201, and 584.1 and state corporate law as outlined in the Holding Company Report of Examination as of March 15, 2004.

3. **Consent**

The Holding Company consents to the issuance by the OTS of the accompanying Consent Order to Cease and Desist for Affirmative Relief (Order). It further agrees to comply with the terms of the Order upon issuance and stipulates that the Order complies with all requirements of law.

4. **Finality**

The Order is issued under 12 U.S.C. § 1818(b). Upon its issuance by the Regional Director, it shall be a final order, effective and fully enforceable by OTS under the provisions of 12 U.S.C. § 1818(i).

5. **Waivers**

The Holding Company waives the following:

- (a) the right to be served with a written notice of OTS's charges against it as provided by 12 U.S.C. § 1818(b);
- (b) the right to an administrative hearing of OTS's charges against it as provided by 12 U.S.C. § 1818(b);
- (c) the right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order;
- (d) any and all claims against OTS, including its employees and agents, and any other governmental entity for the award of fees, costs or expenses related to this OTS

enforcement matter and/or the Order, whether arising under common law, the Equal Access to Justice Act, 5 U.S.C. § 504, or 28 U.S.C. § 2412; and

- (e) the right to assert this proceeding, its consent to the issuance of the Order, the issuance of the Order, the payment of any monies or the provision of any other financial relief as contemplated by the Order as the basis for a claim of double jeopardy in any pending or future proceeding brought by the United States Department of Justice or any other governmental entity.

6. **Other Governmental Actions Not Affected**

The Holding Company acknowledges and agrees that its consent to the issuance of the Order is for the purpose of resolving this OTS enforcement matter only, as set forth in Paragraph 2, OTS Findings of Fact, hereof. The Holding Company acknowledges and agrees that its consent to the issuance of the Order does not release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against or other proceeding, civil or criminal, that may be or has been brought by OTS or another governmental entity. Further, the issuance of this Order does not release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against or other proceeding, civil or criminal, that may be or has been brought by OTS or any other governmental entity against any institution-affiliated party of the Holding Company or its subsidiary savings and loan association.

7. **Miscellaneous**

- (a) The construction and validity of this Stipulation and the Order shall be governed by the laws of the United States of America.
- (b) In case any provision of the Stipulation or Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.
- (c) All references to the OTS or the Holding Company in this Stipulation and the Order shall also mean any of the OTS's or Holding Company's predecessors, successors, and assigns.
- (d) The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the construction hereof.
- (e) The terms of this Stipulation and the Order represent the final written agreement of the parties with respect to the subject matters hereof, and constitute the sole agreement of the parties with respect to such subject matters.

- (f) This Stipulation and the Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Director, Deputy Director, Regional Director or other authorized representative.

8. **Signature of Directors**

Each Director of the Holding Company's Board of Directors signing this Stipulation attests that he/she voted in favor of a resolution authorizing the execution of the Stipulation. A copy of the resolution of the Board of Directors of United Holding Company, Inc. authorizing execution of this Stipulation shall be delivered to OTS, along with the executed original of this Stipulation.

WHEREFORE, United Holding Company, Inc., Springdale, Arkansas, by a majority of its directors, execute this Stipulation and Consent to the issuance of an Order to Cease and Desist for Affirmative Relief, intending to be legally bound hereby.

Accepted by:

OFFICE OF THRIFT SUPERVISION

By:

F. R. Casteel
Frederick R. Casteel
Midwest Regional Director

Effective Date: 7-19-04

United Holding Company, Inc.
Springdale, Arkansas

Accepted by a majority of its directors:

By:

Craig E. Young
Craig E. Young, Director and
Chief Executive Officer

Donald R. Pitts
Donald R. Pitts
Chairman of the Board

William H. Breshears III
William H. Breshears, III, Director

John B. Ervin
John B. Ervin, Director

M. David Slone
M. David Slone, Director

Donald R. Bordovsky
David Donald R. Bordovsky, Director

Robert Corscadden
Robert Corscadden, Director

Michele A. Harrington
Michele A. Harrington, Director

Jeffrey L. Lynch, Director

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OFFICE OF THRIFT SUPERVISION

In the Matter of

UNITED HOLDING COMPANY, INC.
Springdale, Arkansas
OTS Docket No. H-3490

Order No.: MWR-04-12

Date: July 19, 2004

CONSENT ORDER TO
CEASE AND DESIST FOR AFFIRMATIVE RELIEF

WHEREAS, United Holding Company, Inc., Springdale, Arkansas (Holding Company) (OTS Docket No. H-3490), which wholly owns United Bank, Springdale, Arkansas (OTS No. 7756), by and through its Board of Directors (Board), has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist for Affirmative Relief (Stipulation); and

WHEREAS, the Holding Company, by execution of this Stipulation, has consented and agreed to the issuance of this Consent Order to Cease and Desist for Affirmative Relief (Order) by the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1818(b).¹

WHEREAS, the Deputy Director of the OTS has delegated to the Regional Directors of OTS the authority to issue Orders to Cease and Desist on behalf of OTS where the Holding Company has consented to the issuance of the Order.

NOW THEREFORE, IT IS ORDERED THAT the Holding Company, its directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling, aiding or abetting of any unsafe or unsound practice or any violation of:

- A. Section 563.41 of the OTS Regulations, 12 C.F.R. § 563.41 (regarding transactions with affiliates);
- B. Section 563.200 of the OTS Regulations, 12 C.F.R. § 563.200 (regarding conflicts of interest);
- C. Section 563.201 of the OTS Regulations, 12 C.F.R. § 563.201 (regarding usurpation of corporate opportunity); and

¹ All references to the United States Code (U.S.C.) are as amended, unless otherwise indicated.

- D. Section 584.1 of the OTS Regulations, 12 C.F.R. § 584.1 (regarding reports); and
- E. Applicable state corporate law.

IT IS FURTHER ORDERED THAT:

CORRECTIVE PROVISIONS

1. Corporate Governance

- A. By no later than July 31, 2004, the Board shall adopt and submit a written documentation policy, acceptable to the Regional Director, that (1) requires the adoption of accurate and complete minutes of Board meetings, (2) sets forth internal controls to address the accuracy of, and provides for the prompt correction of any inaccuracies in, the books and records of the Holding Company and its non-thrift subsidiaries, and (3) sets forth procedures to ensure the filing of accurate reports with OTS pursuant to 12 C.F.R. § 584.1. The Holding Company must comply with the written documentation policy.
- B. The Holding Company and its subsidiaries shall fully comply with their articles of incorporation and bylaws (or similar governing documents in the absence of articles of incorporation or bylaws) and all applicable federal and state laws.
- C. By no later than August 31, 2004, Holding Company shall obtain and submit to the Regional Director a written opinion of competent counsel, directed to the Holding Company, advising it how to remedy or mitigate the adverse consequences of the invalid issuance of stock by the Holding Company in 2003. This opinion, at a minimum, shall consider and expressly address the following issues:
 - 1. Who the stockholders of Holding Company are and what their respective holdings in Holding Company are;
 - 2. Whether any and all stockholder meetings held on or after the date of the invalid stock issuance was or were legally held;
 - 3. Whether the votes taken at each such stockholders meeting were legal;
 - 4. What the legal consequences of the facts corresponding to the foregoing issues are;
 - 5. What violations of applicable state or federal law resulted, directly or indirectly, from the invalid stock issuance; and
 - 6. Recommendations as to how the Holding Company should proceed in order to remedy or mitigate the adverse consequences of the invalid issuance without causing

any violation of applicable federal law, including but not limited to 12 C.F.R. Part 574, and applicable state law.

2. Training for Directors and Management

By August 31, 2004, the Board shall adopt and submit to OTS a written plan (Training Plan), acceptable to the Regional Director, for in-depth training to all directors and senior executive officers of the Holding Company regarding the legal requirements for transactions with affiliates, corporate governance, avoiding conflicts of interest, and avoiding usurpation of corporate opportunity. The Holding Company shall ensure that each director and senior executive officer receives training, as set forth in the Training Plan, by no later than December 31, 2004.

3. Transactions with Affiliates

- A. Neither the Holding Company nor its non-thrift subsidiaries shall engage in any transaction with United Bank (Bank, United Bank, or Institution) or its subsidiaries without the prior written notice of non-objection of the Regional Director.
- B. The Holding Company and its non-thrift subsidiaries shall not engage in any transaction with the Bank or its subsidiaries unless it complies with 12 C.F.R. § 563.41.
- C. By no later than July 31, 2004, the Holding Company shall submit to OTS one or more formal cost sharing agreements (Agreements) approved by the Board and by the boards of its subsidiaries, as applicable, to address any and all cost sharing arrangements between the Bank and each of its affiliates. Such Agreements shall: (a) set forth the methodologies used to determine the amounts paid and the frequency of payments, (b) provide for settlements and reconciliation that meet the requirements of 12 C.F.R. § 563.41(a) and 12 C.F.R. § 223.51, and (c) include formal lease agreements for all leases between the Bank and any of its affiliates.
- D. The Board shall review the Agreements and supporting documentation at least annually, or more frequently as deemed appropriate in exercising prudent business judgment, and enter into any amendments to such agreements that are required to comply with 12 C.F.R. § 563.41(a) and 12 C.F.R. § 223.51.
- E. The Holding Company shall maintain documentation of its compliance with the conflicts of interest provisions set forth in 12 C.F.R. § 563.200 and the market terms and comparable transaction requirements of 12 C.F.R. § 223.51.
- F. By June 30, 2004, the Board shall submit to OTS a written commitment that neither the Holding Company nor its subsidiaries will make any non-cash capital contribution to the Bank unless such contribution complies with 12 C.F.R. § 563.41 and the guidelines set forth in Section 110 of the OTS Thrift Activities Handbook and is recorded by the Bank in accordance with Generally Accepted Accounting Principles (GAAP).

- G. The Holding Company shall not enter into any agreement with an officer, employee, consultant, or agent of the Holding Company or any subsidiary of the Holding Company that provides for profit sharing.

4. **Cooperation with Bank**

- A. The Board shall cause Holding Company to take all necessary actions, consistent with the Bank's separate corporate existence, in order to facilitate the Bank's compliance with all applicable laws, regulations, outstanding OTS agreements and orders, and OTS policies.
- B. By no later than July 31, 2004, the Board shall cause Holding Company to enter into a legally binding agreement with the Bank whereby Holding Company shall hold Bank harmless and indemnify the Bank from all losses on all transactions that the Bank has had with UB Mortgage, LLC, Springdale, Arkansas (UBM). The Board shall thereafter take all actions necessary to cause Holding Company to comply with that agreement.
- C. By no later than eight (8) business days after it receives from the Bank an invoice for services associated with a TWA Audit Report of the Bank shall make full payment on the invoice.
- D. By no later than August 2, 2004, Holding Company shall pay to the Bank, in at least the amount demanded by United Bank, reimbursement for all expenditures and payments United Bank has made regarding land in Rogers, Arkansas or the building at 2790 South Thompson in Springdale, Arkansas.
- E. By no later than July 31, 2004, Holding Company shall:
1. Take all actions necessary to ensure that the title to the building at 2790 South Thompson in Springdale, Arkansas is in the name of Holding Company; and
 2. Enter into a ground lease with the Bank for the land at 2790 South Thompson in Springdale, Arkansas, whereby Holding Company will pay United Bank for use of that land, retroactive from the date construction began on that building.
- F. By no later than October 20, 2004, Holding Company shall pay the Bank the amount that the Bank demands as payment for amounts owed by Holding Company and its subsidiaries to the Bank (or its subsidiaries) on transactions between Holding Company (or its subsidiaries) and Bank (or its subsidiaries) on or after January 1, 1998.

5. **UB Mortgage, LLC**

- A. By no later than August 31, 2004, Holding Company shall provide to the Regional Director a detailed plan for UBM (UBM Plan) that is acceptable to the Regional Director.
- B. The UBM Plan shall either provide for the prompt liquidation of UBM or else demonstrate how UBM will be operated only in compliance with 12 C.F.R. § 563.201.

C. If the UBM Plan does not provide for the prompt liquidation of UBM, then it shall, at a minimum, provide the following:

1. detailed information setting forth the parameters for all lines of mortgage banking and other lending activities in which UBM may engage and an analysis as to why activities within those parameters would not usurp any corporate opportunity of the Bank;
2. confirmation that UBM shall not, without the written notice of non-objection of the Regional Director, engage, directly or indirectly, in any transaction with the Bank or any subsidiary of the Bank; and
3. confirmation that all necessary actions will be taken to ensure that the Bank (and its subsidiaries) will have no actual or contingent risk associated with UBM's operations.

D. Holding Company shall comply with the UBM Plan and take all actions necessary to ensure that UBM complies with the UBM Plan.

E. The Holding Company shall take all necessary actions to ensure that, except in accordance with the prior written notice of non-objection by the Regional Director, no director, officer, employee, consultant, or agent of the Bank is, at any time on or after the Effective Date of this Order, a stockholder (or member or similar interest holder), director, officer, employee, consultant, or agent of UBM.

6. Addition of Director to Bank Board

By no later than August 31, 2004, the Board shall, subject to the requirements of 12 C.F.R. § 563.560, ensure that there is an additional member of the Bank's board of directors who is otherwise independent of, and not affiliated with, or an associate of, the controlling stockholders, directors and officers of the Bank or any of its affiliates (including the Holding Company).

7. Employment and Related Matters

- A. The Holding Company shall comply with Section 563.560 of the OTS Regulations, 12 C.F.R. § 563.560, in each case regarding the employment or designation of senior executive officers, the appointment or replacement of any director, or a change in responsibilities of a senior executive officer.
- B. The Holding Company shall not make any "golden parachute" payments (as that term is defined in 12 U.S.C. § 1828(k) and 12 C.F.R. Part 359), except as permitted under the applicable statute and regulation.

8. Limitation on Debt

The Holding Company and its consolidated non-thrift subsidiaries shall obtain the prior written non-objection of the Regional Director at least 30 days prior to: issuing, renewing, or rolling over any debt; increasing any current lines of credit; guaranteeing the debt of any entity; or entering into a commitment for debt. The term "debt" includes hybrid capital instruments such as subordinated debt or trust-preferred securities. For purposes of this Section 8, the term "debt" does not include liabilities incurred in the normal course of business to acquire goods and services and that are normally recorded as accounts payable. Further, for purposes of this Section 8, the term "debt" does not include draws on a line of credit with Regions Bank that is outstanding as of the Effective Date, provided that such draws, in addition to other debt to Regions Bank, does not exceed \$5 million at any one time.

BOARD OF DIRECTORS

9. Director and Board Responsibility

- (a) Notwithstanding the requirements of this Order that the Board submit various matters to the Regional Director for the purpose of receiving approval, notice of non-objection, or notice of acceptability, such regulatory oversight does not derogate or supplant each individual member's continuing fiduciary duty. The Board shall have the ultimate responsibility for overseeing the safe and sound operation of the Holding Company at all times, including compliance with the determinations of the Regional Director as required by this Order.
- (b) The Board further shall oversee the safe and sound operation of the Holding Company at all times and shall take all reasonable and prudent actions necessary to satisfy this responsibility.

10. Compliance with Order

- (a) The Board and officers of the Holding Company shall take immediate action to cause the Holding Company to comply with the terms of this Order and shall take all actions necessary or appropriate thereafter to cause the Holding Company to continue to carry out the provisions of this Order.
- (b) The Board, on a quarterly basis, beginning with the third calendar quarter of calendar year 2004, shall adopt a board resolution (Compliance Resolution), formally resolving that, following a diligent inquiry of relevant information (including reports of management), to the best of its knowledge and belief, during the immediately preceding calendar quarter, the Holding Company has complied with each provision of this Order currently in effect, except as otherwise stated. The Compliance Resolution shall specify in detail how, if at all, full compliance was found not to exist; and identify all notices of exemption or non-objection issued by the Regional Director that were outstanding as of the date of its adoption.

- (c) The minutes of the meeting of the Board shall set forth the following information with respect to the adoption of each Compliance Resolution: (i) the identity of each director voting in favor of its adoption; and (ii) the identity of each director voting in opposition to its adoption or abstaining from voting thereon, setting forth each director's reasoning for opposing or abstaining.
- (d) The Holding Company shall provide to the Regional Director a certified true copy of each Compliance Resolution as adopted by the Board within ten calendar days of the Board meeting at which the Compliance Resolution was adopted. The Board, by virtue of the Holding Company's submission of a certified true copy of each such Compliance Resolution to the Regional Director, shall be deemed to have certified to the accuracy of the statements set forth in each Compliance Resolution, except as provided below. In the event that one or more Directors do not agree with the representations set forth in a Compliance Resolution, such disagreement shall be noted in the minutes of the Holding Company.
- (e) The Board shall promptly respond to any request from OTS for documents that the OTS requests to demonstrate compliance with this Order.

MISCELLANEOUS

11. Definitions

- A. All technical words or terms used in this Order and Stipulation for which meanings are not specified or otherwise provided by the provisions of this Order shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, Home Owners' Loan Act (HOLA), FDIA or OTS Publications. Any such technical words or terms used in this Order and undefined in said Code of Federal Regulations, HOLA, Federal Deposit Insurance Act (FDIA), or OTS Publications shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.
- B. For purposes of this Order, nothing shall be deemed "acceptable" to the Regional Director unless the Regional Director has stated in writing that it is acceptable or has stated in writing that there is no objection to it.

12. Successor Statutes, Regulations, Guidance, Amendments

Reference in this Order to provisions of statutes, regulations, and OTS Memoranda shall be deemed to include references to all amendments to such provisions as have been made as of the Effective Date of this Order and references to successor provisions as they become applicable.

13. **Effective Date**

This Order is and shall become effective on the Effective Date, as shown in the caption hereof.

14. **Notices**

- (a) Except as otherwise provided herein, any request, demand, authorization, directive, notice, consent, waiver or other document provided or permitted by the Order to be made upon, given or furnished to, delivered to, or filed with:
 - (i) the OTS, by the Holding Company, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid or sent via overnight delivery service or physically delivered, in each case addressed to the Regional Director, Office of Thrift Supervision, Department of the Treasury, 225 East John Carpenter Freeway, Suite 500, Irving, Texas 75062-2327 or telecopied to (972) 277-9501 and confirmed by first class mail, postage prepaid, overnight delivery service or physically delivered, in each case to the above address;
 - (ii) the Holding Company, by the OTS, shall be sufficient for every purpose hereunder if in writing and mailed, first class, postage prepaid, or sent via overnight delivery service or physically delivered, in each case addressed to the Holding Company at 2600 South Thompson, Springdale, Arkansas 72764.
- (b) Notices hereunder shall be effective upon receipt, if by mail, overnight delivery service or telecopy, and upon delivery, if by physical delivery. If there is a dispute about the date on which a written notice has been received by a party to this Order, then, in the event such notice was sent by United States mail, there shall be a presumption that the notice was received two Business Days after the date of the postmark on the envelope in which the notice was enclosed.

15. **Time Limits**

Time limitations for compliance with the terms of this Order run from the Effective Date, unless otherwise noted. The Regional Director may extend any time limits set forth in this Order by specifically granting that extension in writing.

16. **Effect of Headings**

The section and paragraph headings herein are for convenience only and shall not affect construction hereof.

17. **Separability Clause**

In case any provision in this Order is ruled to be invalid, illegal, or unenforceable by the decision of any court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his/her sole discretion determines otherwise.

18. **No Violations Authorized; OTS Not Restricted**

Nothing in this Order or the Stipulation shall be construed as: (a) allowing the Holding Company to violate any law, rule, regulation, or policy statement to which it is subject, or (b) restricting or estopping the OTS from taking any action(s), including without limitation any actions that it believes are appropriate in fulfilling the responsibilities placed upon it by law.

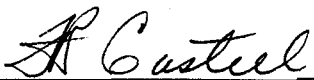
19. **Incorporation**

The Stipulation is made a part hereof and is incorporated herein by this reference.

20. **Duration, Termination or Suspension of Order**

The Stipulation and the Order shall remain in effect until terminated, modified or suspended in writing by the OTS, acting through its Director, Deputy Director, Regional Director or other authorized representative.

OFFICE OF THRIFT SUPERVISION

By: 
Frederick R. Casteel
Regional Director
Midwest Region